STATEMENT OF HON. PHILLIP S. HUGHES, DEPUTY DIRECTOR OF THE BUREAU OF THE BUDGET; ACCOMPANIED BY TIM RUSSELL, OFFICE OF EXECUTIVE MANAGEMENT; JOE CUNNINGHAM, GOVERNMENT MANAGEMENT DIVISION

Mr. HUGHES. Mr. Chairman, with me, on my right, is Mr. Tim Russell, of our Office of Executive Management, who is concerned with Circular A–76, "Competition With Business." On my left, Mr. Joe Cunningham, Assistant Director of our Government Management Division, who is concerned with ADP matters.

Chairman PROXMIRE. All right.

Mr. HUGHES. Mr. Chairman and members of the committee, we welcome the opportunity afforded by your November 8, 1967, request to appear and discuss six areas in which the subcommittee expressed a particular interest and concern. They are:

1. Developments in compliance with the "Truth in Negotiations Act."
2. Improvements in supply management.
3. Adequacy of management of Government-owned equipment furnished to contractors.
4. Budget Bureau Circular No. A–76, Revised, concerning Government competition with business.
5. A status report on real property management under Budget Bureau Circular No. A–2, Revised.
6. The adequacy of the General Services Administration capability and efforts in behalf of the Government as a user of utilities.

Our general budget and management improvement interests make all of these areas of interest and concern to us, and in several we have very specific responsibilities. In this statement, which we hope will be of help to the committee, we have attempted to supplement rather than duplicate the testimony of other witnesses who have appeared earlier and discussed some of these subjects at length.

DEVELOPMENTS CONCERNING TRUTH IN NEGOTIATIONS ACT

During the hearings last May, the subcommittee requested that we give particular attention to a General Accounting Office report to the Congress critical of the way the Department of Defense was administering Public Law 87–653, the Truth in Negotiations Act.

The law, which is implemented in the Armed Services Procurement Regulations, requires contractors to certify to the accuracy, currency, and completeness of cost data which they furnish to the Government during the negotiation of a cost-reimbursable-type contract. In its report to the Congress, GAO cited a number of contracts in which, in its view, there was inadequate cost data to support compliance with the act.

Looking into the matter, we found and reported to the subcommittee by letter of July 19, 1967, that DOD had initiated actions to improve its management in this area of contracting, and that in these efforts a close working relationship had been established between the staffs of GAO and DOD. The committee has heard extensive testimony on this in the last 3 days.